

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 PM-05 NSC-05 SP-02 SS-15 CIAE-00
DODE-00 INR-10 NSAE-00 PA-01 ICA-11 EB-08 COME-00
SIL-01 LAB-04 OMB-01 TRSE-00 L-03 DLOS-09 /088 W
-----003006 201716Z /53

R 201222Z JUN 78

FM AMEMBASSY REYKJAVIK
TO SECSTATE WASHDC 8489
INFO AMEMBASSY COPENHAGEN
AMEMBASSY OSLO
AMEMBASSY STOCKHOLM
COMICEDEFOR KEFLAVIK IC
CINCLANT NORFOLK VA
CINCEUR VAIHINGEN GE

C O N F I D E N T I A L SECTION 1 OF 2 REYKJAVIK 0808

E.O. 11652: GDS

TAGS: PINT, IC

SUBJECT: ELECTION WATCH: ISSUES AND NON-ISSUES

SUMMARY: AS EXPECTED, CENTRAL ISSUE OF ELECTION CAMPAIGN HAS BEEN ECONOMIC CONDITIONS WITH OPPOSITION PARTIES ATTACKING COALITION PARTIES ON THEIR RECORD OVER LAST FOUR YEARS. PRIMARY RESPONSE OF INDEPENDENCE PARTY HAS BEEN TO RECALL SINS OF GOVERNMENT THAT WAS IN OFFICE PRIOR TO 1974. PARTY HAS ALSO TRIED TO STRESS IMPORTANCE OF MAINTAINING RELATIONSHIP WITH NATO AND RETAINING US-MANNED KEFLAVIK BASE; IN SO DOING IT HAS RAISED SPECTER OF NEW LEFTIST GOVERNMENT WHICH WOULD SEVER THOSE TIES. THESE EFFORTS HAVE HAD MIXED RESULTS, AND PARTY HAS MODERATED ITS STRIDENT TONE GOING INTO LAST WEEK OF CAMPAIGN. NED SUMMARY.

1. ALL FOUR OF ICELAND'S MAJOR PARTIES HAVE RECOGNIZED IMPORTANCE OF ECONOMIC ISSUES IN MINDS OF VOTERS, AND THEIR CAMPAIGNS HAVE REFLECTED THIS. FOR MOST OF THE
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TIME, PARTIES DEFENDED THEIR OWN VAGUE APPROACHES AS BEST AND ATTACKED OPPOSITION IN TERMS OF GENERALITIES. BY NOW FOUR PARTIES HAVE COME OUT WITH THEIR ECONOMIC PLATFORMS WHICH FINALLY CONTAIN SOME CONCRETE PROPOSALS. NONETHELESS, RATHER THAN SCRUTINIZING OTHERS' PRESENT PROGRAMS, PARTIES LARGELY CONTINUE TO DREDGE UP PAST PERFORMANCE RECORDS OF OPPONENTS AND RELY ON TIRED SLOGANS.

2. THERE ARE SOME AREAS IN WHICH PARTY PROPOSALS RUN DIRECTLY COUNTER TO ONE ANOTHER. SOCIAL DEMOCRATS (SDP) CALL FOR INCREASING RATES OF INTEREST TO MAKE BORROWING COSTLIER WHILE PEOPLE'S ALLIANCE (PA) HAS COME OUT FOR LOWER INTEREST. BOTH INDEPENDENCE PARTY (IP) AND SDP CALL FOR DECREASED GOVERNMENT SPENDING WHILE PA WANTS FURTHER INCREASES IN PUBLIC SECTOR. ALL PARTIES PROMOTE FULL EMPLOYMENT FROM DIFFERENT PERSPECTIVES, AND SOME PUT GREATER EMPHASIS ON GOAL THAN OTHERS.

3. HOWEVER NEITHER VOTERS NOR PARTIES ARE OBJECTIVELY COMPARING PROGRAMS AND EXAMINING CONFLICTING PROPOSALS IN LIGHT OF DAY. INSTEAD, PA, AS LEADING OPPOSITION PARTY, HAS CONTINUALLY HIT AT COALITION PARTIES' RECORD IN INFLATION, DEPRECIATION OF CURRENCY, FOREIGN DEBT, IMPOSED LIMITS ON WAGES, AND NEW TAX LAW WHICH IS CALLED "PRO-BUSINESS". IN ADDITION TO MAKING SOME VALID POINTS ON GOI ECONOMIC FAILURES, PA HAS ALSO MANIPULATED STATISTICS IN ORDER TO CHARGE GOVERNING PARTIES WITH ALL MANNER OF HEINOUS CRIMES INCLUDING DRIVING ICELANDERS OUT OF COUNTRY AS RESULT OF ECONOMIC CONDITIONS. OPPOSITION SDP HAS ALSO BEEN CRITICAL OF GOVERNMENT ECONOMIC POLICY, BUT IT SAVES ITS BIG GUNS FOR PA WHOSE POLICIES IT CONSIDERS POTENTIALLY EVEN MORE DISASTROUS.

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4. IP HAS RESPONDED BY CITING ITS SUCCESS IN ACHIEVING GOAL OF FULL EMPLOYMENT AND NOTING THAT REAL WAGES ARE HIGHER NOW THAN DURING PERIOD OF 1971-74 LEFTIST GOVERNMENT. YET WITH MANY OF ITS OTHER ECONOMIC GOALS UNACHIEVED, IP HAS GONE ON ATTACK BY REMINDING ELECTORATE THAT DISTRESSING ECONOMIC SITUATION IT INHERITED IN 1974 WAS BROUGHT ABOUT BY LEFTIST GOVERNMENT POLICIES WHICH PA WOULD REINSTITUTE. IP, CRITICIZED FOR IMPOSING WAGE RESTRAINT, RESPONDS THAT LEFT GOVERNMENT DID SAME AND WOULD DO IT AGAIN; IT CITES CURRENT EXAMPLE OF NEW LEFT-OF-CENTER MAJORITY ON REYKJAVIK CITY COUNCIL WHICH, AFTER CAMPAIGNING AGAINST WAGE RESTRAINT, HAD NO ALTERNATIVE BUT TO KEEP LID ON LABOR AFTER TAKING OFFICE LAST MONTH.

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C O N F I D E N T I A L SECTION 2 OF 2 REYKJAVIK 0808

5. PROGRESSIVE PARTY (PP), WHICH HAS BEEN IN GOVERNMENT FOR SEVEN YEARS, IS IN AWKWARD POSITION BECAUSE HAVING BEEN IN BOTH LEFTIST AND RIGHT-OF-CENTER GOVERNMENTS, IT IS ATTACKED ON ITS ECONOMIC POLICY FROM BOTH SIDES. BEING ESPECIALLY VULNERABLE TO SUCH CRITICISM, IT HAS DONE NO MORE IN ECONOMIC DEBATE THAN RESTATE POSITIONS ADOPTED AT RECENT NATIONAL CONVENTION (REYKJAVIK 0406 NOTAL) CALLING FOR CURRENCY REFORM, FIXED EXCHANGE RATES, REDUCED INFLATION, FULL EMPLOYMENT, AND GREATER INCOME EQUALITY. MEANS TO THESE ENDS ARE NOT EXPLAINED AND, EYING RURAL VOTE ON WHICH PP IS DEPENDENT, PROGRESSIVES STRESS BENEFITS FOR FARMERS AND RURAL DEVELOPMENT PROGRAM, IN BOTH OF WHICH IT HAS HAD MAJOR ROLE, AS KEY TO ECONOMIC IMPROVEMENT.

6. PP DOES HAVE ADDITIONAL ACCOMPLISHMENTS OF WHICH IT MAY BE PROUD, AND THESE ARE IN FOREIGN AFFAIRS WHERE PARTY VICE-CHAIRMAN EINAR AGUSTSSON HAS BEEN MINISTER FOR SEVEN YEARS. SIGNING OF 1974 MEMORANDUM OF UNDERSTAND
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HAS SUBSTANTIALLY LOWERED PROFILE OF NATO BASE. NVERETHELESS, BECAUSE OF DIVISIONS WITHIN PP ON ISSUE, PARTY HAS KEPT LOW PROFILE ON MATTER WITH EXCEPTION OF AGUSTSSON INTERVIEW JUNE 17 (SEPTTEL). PROGRESSIVES HAVE PLAYED UP WITH GUSTO ACHIEVEMENT OF 200-MILE FISHING LIMIT. ALTHOUGH IT MAY BE DIFFICULT TO PIN ELECTORAL

HOPES ON THIS SINGULAR ACCOMPLISHMENT AFTER SEVEN YEARS,
THIS SEEMS TO BE ONLY SOLID SUCCESS TO WHICH PP CAN POINT.

7. IP HAS ALSO CLAIMED ITS SHARE OF CREDIT FOR EXTENSION
OF FISHING LIMIT, PLAYING ISSUE TO TIS FULLEST IN MULTI-
PAGE SPREAD IN JUNE 17 INDEPENDENCE DAY EDITION OF
MORGUNBLADID, IP NEWSPAPER. HOWEVER, PARTY HAS GIVEN MUCH
GREATER ATTENTION TO NEED FOR CONTINUED PRESENCE OF NATO BASE
AND MAINTENANCE OF STRONG TIES TO NATO. ALTHOUGH SUBJECT
HAS NOT BEEN CENTRAL TO CAMPAIGN AS IT WAS IN 1974 WHEN
RETENTION OF NATO BASE WAS KEY ISSUE, IP HAS TRIED TO
EXPLOIT IT. INDEPENDENTS HAVE STRONGLY ATTACKED PA FOR
SEEKING TO ACHIEVE AN ICELAND WITHOUT DEFENSES AND PP
FOR ITS EXPRESSED WILLINGNESS TO FORM NEW LEFT GOVERNMENT
WITH PA WHICH WOULD, IN IP WORDS, ALSO LEAD TO END OF
ICELAND'S NATO TIES. NOT EVEN FORMER ALLY SDP HAS BEEN
SPARED IN IP ATTACK WITH MORGUNBLADID CALLING SOCIAL
DEMOCRATS "UNTRUSTWORTHY" ON BASE ISSUE.

8. THERE IS CONSIDERABLE UNCERTAINTY WITHIN PARTY
AS TO WHETHER OR NOT IT HAS BEEN TO IP ADVANTAGE TO
RAISE BASE QUESTION AT THIS TIME. IP
ITSELF SEEMS TO HAVE SECOND THOUGHTS ABOUT GAME PLAN.
AFTER ABOUT TEN CONSECUTIVE DAYS OF SHARP NEWS AND
EDITIRIAL COVERAGE OF LEFT GOVERNMENT'S POLICY ON
BASE, JUNE 10 ANTI-BASE MARCH, ETC., MORGUNBLADID
ABRUPTLY MODERATED ITS CAMPAIGN. WHILE MANY INDEPENDENTS
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BELIEVE THAT THIS IS ISSUE THAT VOTERS SHOULD SERIOUSLY
BE CONCERNED WITH, OTHERS FEEL THAT PLAYING ON FEARS
OF POTENTIAL LEFTIST GOVERNMENT IS TACTIC THAT COULD
BACKFIRE IN SAME WAY AS IT DID IN MUNICIPAL CONTEST
(REYKJAVIK 0706 DTG 261133Z MAY 78). PARTY MAY
HAVE REACHED COMPROMISE ON DISCUSSION OF NATO TIES FOR
LAST WEEK OF ELECTION CAMPAIGN BY STRESSING SLOGAN
"AGAINST LEFT GOVERNMENT" WHILE ALSO MAINTAINING A
SOFT-SELL APPROACH TO NATO AND BASE. PARTY LIKELY TO
HIGHLIGHT THIS REVISED THEME WHEN IT ENDS CAMPAIGN WITH
DOWNTOWN REYKJAVIK RALLY JUNE 22.
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